Montana Board of Oil and Gas Conservation
Environmental Assessment

Operator: Continental Resources, Inc.
Well Name/Number: Marla-Hill 4 HSU
Location: NW NW Section 36 T24N R55E
County: Richland **, MT; Field (or Wildcat)** W/C (Bakken Horizontal)

Air Quality

(possible concerns)
Long drilling time: No, 30 to 40 days drilling time.
Unusually deep drilling (high horsepower rig): No, triple derrick rig to drill a single lateral horizontal Bakken Formation test, 20,194'MD/10,310'TVD.
Possible H2S gas production: Slight chance H2S gas from Mississippian Formations.
In/near Class I air quality area: No Class I air quality area nearby.
Air quality permit for flaring/venting (if productive) Yes, DEQ air quality permit required under 75-2-211.

Mitigation:
X Air quality permit (AQB review)
__ Gas plants/pipelines available for sour gas
__ Special equipment/procedures requirements
__ Other:_____

Comments: No special concerns – using triple rig to drill a single lateral horizontal Bakken Formation test, 20,194'MD/10,310'TVD. If there is an existing pipeline for gas in the area and associated gas can be gathered or if no gathering system nearby associated gas can be flared under Board Rule 36.22.1220.

Water Quality

(possible concerns)
Salt/oil based mud: Yes to intermediate casing string hole to be drilled with oil based invert drilling fluids. Horizontal lateral will be drilled with brine water. Surface casing hole will use freshwater and freshwater mud system.
High water table: None anticipated.
Surface drainage leads to live water: No, nearest drainage is an unnamed ephemeral tributary to Three Buttes Creek, adjacent to this location to the east from this location.
Water well contamination: None, no water wells within a 1 mile radius from this location. All water well are further than 1 mile from this surface location. It is recommended that surface hole be drilled with freshwater and freshwater mud system to 1998'. A minimum amount of surface casing to be set at 1998' and steel casing set and cemented to surface from 1998'.
Porous/permeable soils: No, silty-sandy clay soils.
Class I stream drainage: No Class I stream drainages in the area of review.

Mitigation:
__ Lined reserve pit
X Adequate surface casing
__ Berms/dykes, re-routed drainage
X Closed mud system
X Off-site disposal of solids/**liquids** (in approved facility)

X Other: Lined cuttings pit will be used since this is a closed loop mud system to be employed.

Comments: Require 1998' of surface casing be set to cover the base of the Fox Hills and cemented to surface adequate to protect freshwater zones.

Soils/Vegetation/Land Use

(possible concerns)
Steam crossings: No stream crossings required.
High erosion potential: No, moderate cut, up to 10.5' and small fill, up to 5.4', required.
Loss of soil productivity: No, location will be restored after drilling if unproductive. If productive, unused portion of this drilling location will be restored.
Unusually large wellsite: A large wellsite, 500'X300' required.
Damage to improvements: Slight
Conflict with existing land use/values: Slight, surface use appears to be cultivated land.

Mitigation
__ Avoid improvements (topographic tolerance)
__ Exception location requested
X Stockpile topsoil
__ Stream Crossing Permit (other agency review)
X Reclaim unused part of wellsite if productive
__ Special construction methods to enhance reclamation
__ Other _____

Comments: Access will be over existing county road, #328 and #131. About 45' of new access road will be built into this location off the existing county road. Cuttings will be buried in the lined cuttings pit. Oil based drilling fluids will be recycled. Completion fluids will be hauled to a commercial SWD disposal. The lined cuttings pit will be allowed to dry and then closed by filling and mixing with clay subsoils. Minimum of 4' of fill will cover the solids in this pit. No special concerns.

Health Hazards/Noise

(possible concerns)
Proximity to public facilities/residences: Closest residence, none within a 1 mile radius in any direction from this location.
Possibility of H2S: Slight chance from Mississippian Formations.
Size of rig/length of drilling time: Triple drilling rig/short 30 to 40 days drilling time

Mitigation:
X Proper BOP equipment
__ Topographic sound barriers
__ H2S contingency and/or evacuation plan
__ Special equipment/procedures requirements
__ Other:_____

Comments: Adequate surface casing cemented to surface with an operational BOP stack (annular and double ram rated for 5,000 psig) should mitigate any problems.

Wildlife/recreation

(possible concerns)

Proximity to sensitive wildlife areas (DFWP identified): Fox Lake State Game Management Area, about 8.1 miles to the south southwest from this location.

Proximity to recreation sites: Fox Lake State Game Management Area, about 8.1 miles to the south southwest from this location.

Creation of new access to wildlife habitat: No new access to wildlife habitat.

Conflict with game range/refuge management: No

Threatened or endangered Species: Species identified as threatened or endangered are the Pallid Sturgeon, Interior Least Tern, Whooping Crane and Piping Plover. Candidate species are the Sprague's Pipit and the Greater Sage Grouse. NH tracker website indicates zero (0) species of concern in this area.

Mitigation:

__ Avoidance (topographic tolerance/exception)

X Other agency review (DFWP, federal agencies, **DSL**)

__ Screening/fencing of pits, drillsite

__ Other: _____

Comments: State of Montana leased cultivated surface lands. There maybe species of concern that maybe impacted by this wellsite. We ask the operator to consult with the surface owner as to what he would like done, if a species of concern are discovered at this location. State of Montana "Trust Lands" minerals and surface. Trust Lands will do surface EA.

Historical/Cultural/Paleontological

(possible concerns)

Proximity to known sites None identified.

Mitigation

__ avoidance (topographic tolerance, location exception)

X other agency review (SHPO, **DSL**, federal agencies)

__ Other: _____

Comments: State of Montana leased cultivated surface lands. There maybe possible historical/cultural/paleontological sites that maybe impacted by this wellsite. We ask the operator to consult with the surface owner as to his desires to preserve these sites or not, if they are found during construction of the wellsite. State of Montana "Trust Lands" minerals and surface. Trust Lands will do surface EA.

Social/Economic

(possible concerns)

__ Substantial effect on tax base

__ Create demand for new governmental services

__ Population increase or relocation

Comments: No concerns

Remarks or Special Concerns for this site

No, special concerns for drilling this single lateral horizontal Bakken Formation test, 20,194'MD/10,310'TVD.

Summary: Evaluation of Impacts and Cumulative effects

No significant long term impacts expected, some short term impacts will occur.

I conclude that the approval of the subject Notice of Intent to Drill (does/**does not**) constitute a major action of state government significantly affecting the quality of the human environment, and (does/**does not**) require the preparation of an environmental impact statement.

Prepared by (BOGC): /s/Steven Sasaki
(title:) Chief Field Inspector
Date: July 19, 2012

Other Persons Contacted:

Montana Bureau of Mines and Geology, GWIC website
(Name and Agency)

Water wells in Richland County
(subject discussed)
July 19, 2012
(date)

US Fish and Wildlife, Region 6 website
(Name and Agency)
ENDANGERED, THREATENED, PROPOSED AND CANDIDATE SPECIES MONTANA COUNTIES, Richland County
(subject discussed)
July 19, 2012
(date)

Montana Natural Heritage Program Website
(Name and Agency)
Heritage State Rank= S1, S2, S3 T24N R55E
(subject discussed)

July 19, 2012
(date)

If location was inspected before permit approval:
Inspection date: _____
Inspector: _____
Others present during inspection: _____